

SAFE HARBOR AND SUBSIDIARY
MANDEVILLE, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013



ERICKSEN KRENTEL & LAPORTE^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Safe Harbor and Subsidiary
Mandeville, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Safe Harbor and Subsidiary, (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Safe Harbor and Subsidiary
December 18, 2014
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safe Harbor and Subsidiary as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of Safe Harbor and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Safe Harbor and Subsidiary's internal control over financial reporting and compliance.

December 18, 2014
Mandeville, Louisiana

Erickson, Krentel & Laporte, LLP

Certified Public Accountants

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 195,576	\$ 132,721
Grants receivable	51,249	25,445
Unconditional promises to give	10,923	14,922
Prepaid expenses	<u>5,083</u>	<u>2,622</u>
 Total current assets	 <u>262,831</u>	 <u>175,710</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 <u>394,434</u>	 <u>409,460</u>
 <u>OTHER ASSETS</u>	 <u>1,250</u>	 <u>1,250</u>
 Total assets	 <u><u>\$ 658,515</u></u>	 <u><u>\$ 586,420</u></u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 710	\$ 536
Lease payable	-	10,503
Payroll liabilities	<u>23,166</u>	<u>15,054</u>
 Total current liabilities	 <u>23,876</u>	 <u>26,093</u>
 Total liabilities	 <u>23,876</u>	 <u>26,093</u>
 <u>NET ASSETS:</u>		
Unrestricted:		
Undesignated	610,565	532,119
Board designated	13,151	13,286
Temporarily restricted	<u>10,923</u>	<u>14,922</u>
 Total net assets	 <u>634,639</u>	 <u>560,327</u>
 Total liabilities and net assets	 <u><u>\$ 658,515</u></u>	 <u><u>\$ 586,420</u></u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>			
Grants	\$ 311,040	\$ -	\$ 311,040
United Way designations	14,051	-	14,051
United Way allocations	-	10,923	10,923
United Way emergency shelter and food program	6,750	-	6,750
Donated furniture and supplies	15,443	-	15,443
Contributions	119,203	-	119,203
Special events	150,224	-	150,224
Interest income	36	-	36
Gain on disposition of assets	<u>-</u>	<u>-</u>	<u>-</u>
	616,747	10,923	627,670
Net assets released from restrictions	<u>14,922</u>	<u>(14,922)</u>	<u>-</u>
Total revenue, gains, and other support	<u>631,669</u>	<u>(3,999)</u>	<u>627,670</u>
<u>EXPENSES:</u>			
Program services	440,824	-	440,824
Supporting services:			
Management and general	85,740	-	85,740
Fundraising	<u>26,794</u>	<u>-</u>	<u>26,794</u>
Total expenses	<u>553,358</u>	<u>-</u>	<u>553,358</u>
<u>CHANGE IN NET ASSETS</u>	78,311	(3,999)	74,312
Net assets - beginning of year	<u>545,405</u>	<u>14,922</u>	<u>560,327</u>
Net assets - end of year	<u>\$ 623,716</u>	<u>\$ 10,923</u>	<u>\$ 634,639</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>			
Grants	\$ 253,852	\$ -	\$ 253,852
United Way designations	10,001	-	10,001
United Way allocations	-	14,922	14,922
United Way emergency shelter and food program	-	-	-
Donated furniture and supplies	10,381	-	10,381
Contributions	284,341	-	284,341
Special events	129,454	-	129,454
Interest income	190	-	190
Gain on disposition of assets	17,000	-	17,000
	<u>705,219</u>	<u>14,922</u>	<u>720,141</u>
Net assets released from restrictions	<u>144,347</u>	<u>(144,347)</u>	<u>-</u>
	<u>849,566</u>	<u>(129,425)</u>	<u>720,141</u>
<u>EXPENSES:</u>			
Program services	465,901	-	465,901
Supporting services:			
Management and general	89,480	-	89,480
Fundraising	21,801	-	21,801
	<u>577,182</u>	<u>-</u>	<u>577,182</u>
<u>CHANGE IN NET ASSETS</u>	<u>272,384</u>	<u>(129,425)</u>	<u>142,959</u>
Net assets - beginning of year	<u>273,021</u>	<u>144,347</u>	<u>417,368</u>
Net assets - end of year	<u>\$ 545,405</u>	<u>\$ 14,922</u>	<u>\$ 560,327</u>

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 74,312	\$ 142,959
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	29,738	30,837
Gain on disposition of assets	-	(17,000)
(Increase) decrease in:		
Grants receivable	(25,804)	14,715
Unconditional promises to give	3,999	(2,000)
Prepaid expenses	(2,461)	6,375
Increase (decrease) in:		
Accounts payable	174	(13,636)
Accrued expenses	8,112	(2,712)
Lease payable	<u>(10,503)</u>	<u>(1,181)</u>
Net cash from operating activities	<u>77,567</u>	<u>158,357</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Proceeds from sale of assets	-	32,545
Purchases of property and equipment	<u>(14,712)</u>	<u>(265,330)</u>
Net cash (used for) investing activities	<u>(14,712)</u>	<u>(232,785)</u>
Net increase (decrease) in cash and cash equivalents	62,855	(74,428)
Cash and cash equivalents, beginning of year	<u>132,721</u>	<u>207,149</u>
Cash and cash equivalents, end of year	<u><u>\$ 195,576</u></u>	<u><u>\$ 132,721</u></u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 275,675	\$ 53,872	\$ -	\$ 329,547
Payroll taxes	22,713	3,875	-	26,588
Total salaries and related expenses	298,388	57,747		356,135
Accounting and consulting	-	8,500	-	8,500
Annual gala	-	-	22,043	22,043
Community awareness & events	-	-	-	-
Client services	22,495	-	-	22,495
Client transportation	2,388	-	-	2,388
Depreciation	24,754	4,984	-	29,738
Dues and subscriptions	-	2,514	-	2,514
Food supplies	7,938	-	-	7,938
Fundraising events- other	-	-	-	-
Insurance expense	9,683	8,757	-	18,440
Meeting and seminars	-	-	-	-
Miscellaneous	4,208	896	4,751	9,855
Office supplies	3,549	1,022	-	4,571
Rent expense	27,715	-	-	27,715
Repairs and maintenance	8,026	83	-	8,109
Telephone	8,083	1,237	-	9,320
Utilities	23,597	-	-	23,597
Total functional expenses	\$ 440,824	\$ 85,740	\$ 26,794	\$ 553,358

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 267,879	\$ 52,349	\$ -	\$ 320,228
Payroll taxes	23,295	3,974	-	27,269
Total salaries and related expenses	291,174	56,323	-	347,497
Accounting and consulting	-	7,875	-	7,875
Annual gala	-	-	12,918	12,918
Community awareness & events	-	-	3,599	3,599
Client services	21,780	-	-	21,780
Client transportation	3,796	-	-	3,796
Depreciation	25,669	5,168	-	30,837
Dues and subscriptions	-	2,735	-	2,735
Food supplies	8,491	-	-	8,491
Fundraising events- other	-	-	787	787
Insurance expense	14,406	13,028	-	27,434
Meeting and seminars	3,574	-	-	3,574
Miscellaneous	6,663	1,419	4,497	12,579
Office supplies	5,961	1,716	-	7,677
Rent expense	47,486	-	-	47,486
Repairs and maintenance	6,466	67	-	6,533
Telephone	7,510	1,149	-	8,659
Utilities	22,925	-	-	22,925
Total functional expenses	\$ 465,901	\$ 89,480	\$ 21,801	\$ 577,182

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Safe Harbor, (the Organization) was incorporated in January 1991 as a Louisiana not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization provides services to women and their dependent children who are victims of domestic violence. The Safe Harbor Battered Women's Shelter Program (the Shelter) provides temporary housing for its clients. Clients also receive food and clothing, as well as information on housing, legal and welfare aid and assistance in educational and employment matters. There is also a full-time children's coordinator at the Shelter to oversee a fully-developed children's program. The Organization incorporates counseling, case management, court advocacy and referrals to community-based programs. All services are free and confidential, and a crisis line is answered 24 hours a day by staff or volunteers.

Phoenix Partners, Inc. is a Louisiana not-for-profit corporation formed in January 2008 under authority and at the discretion of the Board of Directors of Safe Harbor. On April 29, 2009, Phoenix Partners, Inc. acquired by purchase, a building and land in Slidell, Louisiana to use as an outreach office in that community. Commencing with the fiscal year ending June 30, 2010, the financials of Phoenix Partners, Inc. are consolidated into the financials of the Organization.

The Organization has their main facility in western St. Tammany Parish located in Mandeville, Louisiana, and outreach offices in Slidell and in Washington Parish in order to only serve as a meeting place for court appearances and as a location for individual or group counseling and legal advocacy. In an endeavor to keep the location of the battered women's shelter secret from general public, the Organization has a policy of allowing donors to call the Safe Harbor telephone number listed in the telephone book and arrangements can be made to pick up the donation at a prearranged time and location agreed upon by the Organization representative and donor.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the Organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2014 and 2013, the Organization does not have any permanently restricted net assets.

Designation of Unrestricted Assets

It is the policy of the Board of Directors of the Organization to review its plans for future capital needs and to designate appropriate sums of unrestricted net assets to assure adequate financing of such needs. Designated unrestricted net assets have been designated by the Board for operating or programmatic use and are not restricted by time or purpose.

Consolidation

The consolidated financial statements presented include the accounts of the Organization and Phoenix Partners, Inc. All significant inter-organization transactions have been eliminated.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2014 and 2013, the Organization did not have any unrelated business income. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements. The 2011 through 2013 tax years remain subject to examination by the IRS. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Operations

The Organization has entered into grant agreements and reimbursement contracts with various local, state, and federal governmental entities. Noncompliance with the terms of these agreements and contracts could have a significant adverse effect on the operations of the Organization.

Contributions

Contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as assets released from restrictions and reported in the statements of activities and changes in net assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

The Organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Assets and Services

The Organization records noncash donations as contributions at their estimated fair value at the date of donation. For the years ended June 30, 2014 and 2013, the Organization recorded donations in the amount of \$15,443 and \$10,381, respectively.

The Organization recognizes donated services, if significant in amount, that create, or enhance non-financial assets or that require specialized skills that are provided by donation. Significant portions of the Organization's functions are conducted by unpaid officers, board members, and volunteers.

The value of this contributed time is not reflected in the accompanying financial statements as they do not create nonfinancial assets nor are they specialized services.

Cash and Cash Equivalents and Concentrations of Credit Risk

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

The Organization maintains cash balances in a local financial institution that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Organization did not have cash balances that were in excess of the FDIC insurance at June 30, 2014 and 2013, respectively.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2014, and 2013, unconditional promises to give shown on the statements of financial position consisted of \$10,923 and \$14,922 due from United Way, respectively. These amounts are due in less than one year.

Management believes the amounts are fully collectible; therefore, they have elected not to record an allowance for June 30, 2014 and 2013.

Property and Equipment

Land, major renovations or major repairs, and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at the date of donation. Minor renovations or repairs are charged to operations as repairs and maintenance as incurred. Depreciation is provided on the straight-line basis over the estimated useful life of the asset, which is 3 years for furniture and fixtures and vehicles, 40 years for buildings, and the remaining life on the lease for leasehold improvements.

Subsequent Events

Subsequent events have been evaluated through December 18, 2014, which is the date the financial statements were available to be issued.

(2) GRANTS RECEIVABLE

The grants receivable are due from various grantors listed below for services provided through June 30, 2014 and 2013. All receivables are expected to be received in a timely manner. Management believes the amounts are fully collectible; therefore, they have elected not to record an allowance for June 30, 2014 and 2013. The grants receivable balance consisted of the following as of June 30,:

	<u>2014</u>	<u>2013</u>
Louisiana Commission on Law Enforcement	\$ 3,472	\$ 5,922
Department of Children and Family Services	<u>47,777</u>	<u>19,523</u>
	<u>\$ 51,249</u>	<u>\$ 25,445</u>

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(3) PROPERTY AND EQUIPMENT

As of June 30, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Land and buildings	\$ 395,763	\$ 381,052
Furniture & fixtures	19,825	19,825
Vehicle	14,120	14,120
Leasehold improvements	<u>62,093</u>	<u>62,093</u>
	491,801	477,090
Less: accumulated depreciation	<u>(97,367)</u>	<u>(67,630)</u>
 Property and equipment, net	 <u>\$ 394,434</u>	 <u>\$ 409,460</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$29,738 and \$30,837, respectively.

(4) COOPERATIVE ENDEAVOR AGREEMENT

The Organization and SHS Foundation (an entity owned by a third party who serves as an advisor to the Organization) entered into a cooperative endeavor agreement on October 1, 2011 to build additional facilities in which to serve the community, specifically a new building to house family services and administrative officers.

The lease for this new facility, also effective October 1, 2011 provides for an initial five year term and three additional five year option terms. Rent is prepaid for the initial three years at \$3 and will commence at a monthly rate of \$1,528 effective October 1, 2014. The monthly rent payments are calculated based on the remaining portion of the principal payments amortized over 17 years at 5.5% simple interest, which principal would be reduced by any potential prepayments. If the Organization exercises all three options and continues to lease the new facility for the entire 20 year term, the Organization has the right to purchase this new building for \$1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial five year term or any option term. The Organization has recorded this lease as an operating lease and recognized lease expense of \$- and \$10,503 for the years ended June 30, 2014 and 2013, respectively.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(4) COOPERATIVE ENDEAVOR AGREEMENT (CONTINUED)

If the Organization fails to purchase the new facility, at the end of the 20 year lease term, SHS Foundation is obligated to reimburse the Organization for its share of costs (\$254,478 in leasehold improvements or greater amount paid by the Organization toward building costs), limited to a percentage of the fair market value of the new building calculated as provided in the cooperative endeavor agreement. The future minimum lease payments under the cooperative endeavor are as followed:

2015	\$	13,752
2016		18,336
2017		<u>4,584</u>
	\$	<u>36,672</u>

(5) BOARD DESIGNATED NET ASSETS FOR INVESTMENTS IN FACILITIES

Board designated net assets as of June 30, 2014 and 2013 consisted of cash contributions. These amounts are specifically designated by the Board for the operation of facilities in Slidell. Designated net assets were \$13,151 and \$13,286 at June 30, 2014 and 2013, respectively.

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013 are reserved for the following purposes:

	<u>2014</u>	<u>2013</u>
United Way	\$ <u>10,923</u>	\$ <u>14,922</u>
Temporarily restricted net assets	\$ <u>10,923</u>	\$ <u>14,922</u>

(7) ECONOMIC DEPENDENCY

The Organization receives a significant amount of funding from the State of Louisiana, Department of Children and Family Services (DCFS). Should the DCFS cut its funding or disallow items, this would have a negative impact on the Organization's operations. For the years ended June 30, 2014 and 2013, the Organization earned 46% and 33%, respectively of its support and revenues from the DCFS. Grants receivable included \$47,777 and \$19,523 from the DCFS for the years ended June 30, 2014 and 2013, respectively.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(8) GRANTS FROM GOVERNMENTAL AGENCIES

Grants from governmental agencies include the following for the years ended June 30, 2014 and 2013:

Total funds in the amount of \$250,457 and \$211,283, respectively, were awarded under a contract with the State of Louisiana, DCFS as of June 30, 2014 and 2013. The contract is federal pass-through funds from the United States Department of Health and Human Services, Administration for Children and Families, Family Violence Prevention Services-Grants for Battered Women's Shelters, CFDA #93.671.

Federal pass-through funds in the amount of \$16,585 and \$14,193, respectively, were received under a contract with the Louisiana Commission of Law Enforcement and Administration of Criminal Justice for the "Domestic Violence Outreach" project as of June 30, 2014 and 2013. The federal funds were received from the United States Department of Justice, Violence against Women Office as part of the Stop Violence against Women Formula Grant Program, CFDA #16.588.

Funds in the amount of \$25,355 and \$19,563, respectively, were received under a contract with the State of Louisiana, DCFS as of June 30, 2014 and 2013. This contract allocates and pays a percentage of certain parish imposed fees on marriage license fees to the parish's designated domestic violence shelter.

Funds in the amount of \$17,815 and \$8,747, respectively, were received in the fiscal years ended June 30, 2014 and 2013, under a contract with the IOLTA Louisiana Bar Association. This grant was used to supplement the salaries of the attorneys and staff working for its 2008 Legal Assistance to the Poor grantees. Only full-time, non-contract attorneys and staff are eligible. The attorney's and staff member's position must have been covered at least in part by the grantee's 2009 Louisiana Bar Foundation grant.

(9) RENT AND RENTAL COMMITMENTS

On June 26, 2009, the Organization entered into a seven year lease of a facility composed of three adjacent buildings for a monthly rent of \$3,500 per month. The facility is owned by SHS Foundation. The lease is a triple net lease providing for the Organization to bear all utilities, insurance, taxes and upkeep costs. Pursuant to the cooperative endeavor agreement, a lease was also executed for this three building facility, effective October 1, 2011, which provides for an initial five year term and three additional five year option terms at the present rate of \$3,500 per month for the entire term including option terms. If Safe Harbor exercises all three options and continues to lease these buildings for the entire 20 year term, Safe Harbor has the right to purchase this three building facility for \$1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial five year term or any option term. This lease is accounted for as an operating lease. Effective May 1, 2013, the monthly rent payment of \$3,500 was reduced to \$2,319 per month. Lease expense of \$19,485 and \$39,638 was recorded for the years ended June 30, 2014 and 2013.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(9) RENT AND RENTAL COMMITMENTS (CONTINUED)

On January 6, 2012, the Organization also entered into a one year lease for the Slidell facility for a monthly rent of \$525 per month with three consecutive one year renewal terms. The lease was renewed for another year on January 4, 2013. Lease expense of \$6,300 and \$6,300 was recorded for the years ended June 30, 2014 and 2013.

In addition, rental payments of \$120 per month were for a storage unit at a local storage facility on a month-to-month basis. The storage unit is used to store non-cash donations until such time as they can be used by the shelter facility or its clients.

The future minimum lease payments related to the operating lease discussed above are as follows:

2015	\$	30,979
2016		27,829
2017		<u>6,957</u>
	\$	<u>65,765</u>

The Organization also entered into an operating lease for a new facility pursuant to the Cooperative Endeavor Agreement as discussed in Note 4.

(10) ACCRUED UNPAID LEAVE

The Organization's full-time employees accrue annual leave as follows:

Year 1-3	7 days/year
Year 4-7	9 days/year
Year 8-10	12 days/year
Year 10-15	14 days/year
Year 15+	21 days/year

Annual leave is not cumulative and normally must be taken in the year earned. Exceptions for carrying over annual leave are limited to five (5) days and require the approval of the Executive Director. Days accumulated beyond five days without prior approval will not be paid. Sick leave is earned by regular full-time employees at the rate of twelve (12) days per year. Up to five (5) days of accrued sick leave may be carried over to the next year. In the event of resignation or termination, there is no payment for unused sick leave.

The Organization has accrued \$7,291 and \$3,499, respectively, of accrued unpaid leave as of June 30, 2014 and 2013.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Safe Harbor and Subsidiary, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Safe Harbor and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Safe Harbor and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Safe Harbor and Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.



To the Board of Directors of
Safe Harbor and Subsidiary
December 18, 2014

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Safe Harbor and Subsidiary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Safe Harbor and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 18, 2014
Mandeville, Louisiana

Erickson, Krentel & Laporte, LLP
Certified Public Accountants

SAFE HARBOR AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Safe Harbor and Subsidiary.
2. No significant deficiencies, which would have been required to be reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*, were disclosed during the audit of the financial statements
3. No instances of noncompliance material to the financial statements of Safe Harbor and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No management letter was issued for the year ended June 30, 2014.

SECTION II FINANCIAL STATEMENT FINDINGS

None noted.

SAFE HARBOR AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Not applicable

SECTION II – MANAGEMENT LETTER

Not applicable